

Russia Far East-Alaska CityLinks Program Cooperative Agreement No. 118-A-00-05-00085

Final Report

Prepared for USAID

October 1, 2007

International City/County Management Association
Contract No. GEW-A-00-03-00002-00





Contents

Background	3
Problem Statement	3
Response: Methodology and Timeline	4
Round I	4
Round II	6
Best Practices Symposium	
Activities and Accomplishments:	8
Sharing Experience and Resources, Establishment of	f Regional Replication 15
Linkages with Other USAID-supported Activities, Su	stainability16
Conclusion and the Way Forward	17
Appendix A: Partnership Action Plans	
Assess dis D. LED Westeller Assessed (Description 11)	

Appendix B: LED Workshop Agendas (Rounds I and II)

Appendix C: CityLinks RFE Best Practices Symposium

Appendix D: Case Studies

Appendix E: Reflection Letters from Alaskan Partners

Appendix F: Catalog of Partnership Documents



Background

Cities in the Russia Far East (RFE) still struggle with the decrepit infrastructure that they inherited from the Soviet system. Poor construction and development standards and subsequent lack of maintenance and upgrading have led to the almost-complete deterioration of housing, water, sewer, and heating systems in many cities. Outdated or underdeveloped infrastructure paralyzes RFE communities in their pursuit of sustainable economic opportunities, as businesses are not willing to locate in a community or region where basic public services are not provided at an adequate level. Well-managed cities are a prerequisite for existing business to grow and for new businesses to relocate. Cost, infrastructure and availability of skills are equally considered when relocation decisions are made. Operating under new laws which are rarely fully understood or enforced, local governments in the RFE find themselves ready to embrace economic growth, but at a loss when it comes to implementation. Unsure of their role in local economic development and stifled by years of centralized planning and regulation, the inability to promote competition, and isolation from the world, local government officials in the RFE are now seeking to open their doors to tourism, and encouraging home-grown entrepreneurship, new industries based on market demands, and vigorous marketing campaigns in order to attract and grow investment which will bring needed revenue to their coffers and better lives for their crizens. Despite the many challenges ahead of them, they remain optimistic that their cities each have assets and unique qualities that can be tapped, given the right tools.

The two-year ICMA International CityLinks Alaska-Russia Far East Program provided RFF communities with access to hands-on technical assistance, training, and focused exchanges with their Alaskan partner cities in order to give RFE community leaders the opportunity to learn about economic development strategies and related municipal management competencies from local government colleagues that have practical, on-the-ground knowledge. The Counterpart Enterprise Fund in Khabarovsk, Russia and the Moscow-based Institute of Urban Economics worked with ICMA to implement the program on the ground in Russia. The eight CityLinks partnerships in the Alaska-RFE program included the Alaskan cities of Anchorage, Kenai, Juneau, Skagway, and Wasilla and eight Russian communities in Primorski Krai, Khabarovski Krai, and on the island of Sakhalin: Nevelsk, Dolinsk, Bikin, Luchegorsk, Vyazemski, Arsinyev, Ussuriisk and Bolshoy Kamen.

The program, which began in 2006, focused on sustainable community and economic development with each partnership undertaking a project specific to the needs of the Russian city and the expertise of the Alaskan partner city. Projects included the creation of a tourism industry database to facilitate tourism development; the development of a business support structure to enhance the relationship between the local government and the business community; the development of a business plan for a brick factory and the training of staff to be able to offer this service to support the needs of local business people in the City; the creation of a business plan for a vegetable

processing plant and developing brand marketing and tourism marketing programs for it; the creation of a support system for small and medium businesses; the development of a business/indstrial park, and the development of a business incubator to help grow small businesses.

"In the light of the ongoing local self-governance reform, the RFE cities are interested in learning from the experience of the countries where local self-governance has been developing successfully."

Elizaveta Telushkina, Deputy Minister, Government of Khabarovsky Kray

Problem Statement

The recently introduced "vertical" federal reforms in Russia are only strengthening the top-down chain of command, instead of forging close cooperation among central, regional and local governments to address development challenges. Significant support is needed to help local

governments in the RFE improve their capacity to provide basic services to citizens and create an environment conducive to local and foreign investment. They also need support to improve their ability to advocate for their interests with higher levels of government. To be able to effectively implement the new Federal Law on "Local Self-Governance in the Russian Federation" (Law 131) the communities in the RFE not only have to find creative solutions to the overall challenges that local governments face in Russia, but they also need to overcome the obstacles that arise from the geography of the RFE itself. The two key characteristics are its vast size and a sparse population of barely 7 million people. This, combined with the serious condition of its basic infrastructure, require innovative approaches to developing realistic and sustainable local economic opportunities.

Response: Methodology and Timeline

The Russia Far East -- Alaska CityLinks Partnership Program entailed two rounds of implementation of LED projects in the RFE and included the following components:

- Selection of cities and partners
- Training in community and economic development strategic implementation
- Specific project implementation and technical assistance
- · Establishment of regional replication

In October 2005 ICMA undertook a diagnostic assessment of RFE municipalities and chose five cities for Round I, including Bolshoy Kamen, Ussuriisk, Bikin, Dolinsk and Yuzhno-Sakhalinsk. When the RFE cities were chosen, ICMA matched them with Alaskan partners depending on the needs and character of their cities, including geography, primary industry and technical assistance needs. The Alaskan city partners, as well as other participating community organizations, were charged with delivering targeted technical assistance to initiate and foster broad-based community economic development. In January 2006, ICMA confirmed its partnership with the Counterpart Enterprise Fund (CEF) in Khabarovsk, Russia, to support the program administratively and technically. CEF staff supporting the program included a program director, financial manager and full-time program assistant. ICMA also hired two full-time coordinators (the program director serving as one of the coordinators) to work with the participating RFE cities. The four Alaskan cities passed resolutions committing to the program: Anchorage, Juneau, Wasilla, and Kenai, and each committed staff to the first exchange. An online orientation was held by ICMA/Washington and the staff in Khabarovsk in mid-February to orient the Alaskan cities to the program and outline the goals, structure, and Russian legal and business environment.

Round I Implementation

In lare March 2006, ICMA held the kick-off LED workshop and orientation in Khabarovsk, Russia. All the Alaskan and Russian participating cities were in attendance, as well as others from local NGOs and USAID. The two-day training and orientation for the Russian cities focused on basic local economic development and featured presentations from US practitioners and the Institute for Urban Economics in Moscow on such topics as the Russian legal framework and economic development, principals and practices of local economic and community



development. The Russian participants were oriented to the goals and structure of the program, and at the end of the two-day kick-off, each participant signed a Memoranda of Understanding (MOU) representing their commitment to the program. The Alaskan partners were also presented with

information about the implications of Law 131 on local economic development in municipalities by the Far East Center for Local Governance.

Immediately following the kick-off event, the Alaskan partners accompanied their Russian counterparts back to their respective cities for a week-long diagnostic visit in which the partners identified the opportunities and challenges facing each city and a specific project in each to undertake together. Each team drafted an action plan for implementation to be completed on the first exchange to Alaska. Projects included establishment of a business incubator; development of a municipal business plan to increase investment; development of the tourism sector, including services, infrastructure, and marketing; creation of a special economic area (technology-business park); and development of a business and marketing plan for a factory and an increased capacity in municipal staff to offer this service to other businesses. Each individual project was tailored to meet the specific needs of the local community to also address, directly or indirectly, the connection

between local businesses-SME's and entrepreneurs- and bring them into a community dialogue on economic development. Later, however, a program plan revision became necessary for the city of Yuzhno-Sakhalinsk. The project submitted by Yuzhno officials was a large-scale, capital design and construction project and not consistent with the subject of the CityLinks program in the Russia Far East region. Several meetings were organized with the Mayor's office in Yuzhno to discuss how to proceed with the development of an alternative action plan and resulted in a new project that was more in keeping with the economic



development focus of the program. Unfortunately, due to a high-level Government of Russia visit to Sakhalin, the city of Yuzhno-Sakhalinsk had to cancel its travel to Anchorage on the dates planned for the first exchange. This was a significant set-back and left almost no time for the city to complete a results-oriented LED project at any level and with that in mind, and based on the consultations with USAID/Russia, ICMA decided to exclude Yuzhno-Sakhalinsk from the partnership.

In July-August 2006, Anchorage, Juneau, Kenai and Wasilla hosted visitors from the RFE municipalities of Dolinsk (Sakhalin), Bikin (Khabarovsky kray), Bolshoy Kamen and Ussurusk (Primorye region). The first RFE technical assistance exchange to Alaska included a series of interactive planning sessions to finalize draft action plans for individual projects developed during the Alaska exchanges in the Russia Far East in March 2006. In addition, the cities identified next steps, specific assignments, training efforts for both Alaska and RFE partners, program resources, and assistance required from the ICMA Russia-based CityLinks project staff.

Following the summer exchanges, various activities were initiated and accomplished towards implementation of the partnership projects. Discussions continued between the ICMA program team and USAID regarding the selection of Round II cities and further program implementation. It was agreed to reduce the number of Round II cities to 4-5, which would give the RFE partners an opportunity to fully benefit from the exchange trips and hands-on experience in Alaska.

In October 2006 the second Alaska exchange to the Russia Far East took place. Seven officials from the cities of Anchorage, Juneau, Wasilla, and Kenai made up the four delegations from Alaska. ICMA Russia-based staff, representatives from USAID/Russia and experts from the Moscow-based Institute for Urban Economics also participated and contributed substantially, working on the

partnership agendas with the cities of Bikin, Dolinsk, Ussurisk and Bolshoy Kamen. The October exchange week was very productive and showed significant progress made by all partnerships in between the two previous exchanges in March and July. Focused discussions and training sessions were complemented by numerous site visits, meetings with local business owners and NGOs. Working on specific project agendas, Alaska delegates continued to provide valuable educational and technical support to their RFE partners to help them expand and improve the economic development opportunities for their government and private sector businesses.

One of the most important activities in October was the three roundtables organized with the enthusiastic mentoring from Round I partners in the cities of Kholmsk, Bolshoy Kamen and Vyazemsky to help identify potential participants for the next round of the program. Mayors and economic development department heads from the cities of Vyazemsky, Arseniev, Luchegorsk, Partizansk, Aniva, Kholmsk and Nevelsk, considered for inclusion in the CityLinks Round II, attended and had an opportunity to learn about the CityLinks program, observe on-going partnership activities on-site, and ask questions. In addition to peer-to-peer learning, the roundtables provided excellent networking opportunities for both RFF, and Alaska partners and revealed genuine interest for the candidate cities to become part of the ICMA/CityLinks program in Round II. A 21st Century Economic Development Assessment Tool, developed by ICMA, was filled in by the candidate cities which helped assess their level of commitment and the capacity of the municipality to absorb and implement the technical assistance provided through the program by ICMA and US-based municipal practitioners. Encouraged by the results, some of the already participating Alaska partners decided to remain involved in Round II and those seeking to provide assistance were excited at the opportunity.

Round II Implementation

In December 2006 the RFE-Alaska CityLanks Round II Inaugural Workshop took place in Vladivostok, Russia. The RFE communities of Arseniev, Nevelsk, Vyazemsky and Luchegorsk and the Alaskan cities of Juneau, Anchorage, Wasilla, and Skagway signed MOUs and agreed to combine resources and expertise and work together to promote economic development in the rural areas of the Russian Far East. The CityLanks Round I partners presented the results of their professional exchanges and economic development partnership projects implemented jointly with Alaska partners, shared their impressions, and provided recommendations to the new RFE Round II partners. The audience gave high credits to the training on LED basics given by ICMA technical experts. The CityLinks Round I RFE cities of Dolinsk, Bolshoy Kamen, Bikin and Ussunisk demonstrated good potential to become mentors and assisted the Round II cities in developing practical and feasible partnership agendas with participating organizations from Alaska.

Following the kick-off event, the Alaskan Round II partners worked in their RFE partner cities to identify a viable and sustainable economic development project and draft the implementation plan to be used for the life of the program. Partners agreed to work to promote the establishment of a one-stop shop for tourism, development of a tourism passport and a municipal tourism plan/program, and establishment of an economic development center.

The fifth partnership exchange to Alaska was held in February-March 2007. Sixteen municipal officials from eight RFE partner cities worked with counterparts in five Alaskan cities to further the implementation of their action plans. The Round I cities of Dolinsk, Ussuriisk, Bolshoy Kamen and Bikin continued implementation of their projects which were started in early 2006. In Anchorage, Dolinsk partners discussed real estate policy as well as how to assess community strengths and weaknesses concerning economic development and discussed the process of surveying and targeting the concept paper for their business park. Ussuriisk officials participated in the Iditarod races in Wasilla in support of their tourism development goals and to learn about the significance of the race to the city, community business, and the local economy. Bikin officials worked with Juneau to

complete the business plan for the brick factory in their municipality and Bolshoy Kamen partners finalized their charter for a business incubator. All of the Russian officials were able to meet with Alaskan businesses and Chambers of Commerce to better understand the working relationship between local government and the private sector as well as obstacles to starting and growing businesses. They also participated in technical discussions with City staff regarding their respective projects with the goal of adapting some Alaskan practices in the RFE communities. The Round II cities of Vyazemsky, Arsinyey, Nevelsk, and Luchegorsk worked with their partners to finalize their action plans which were drafted in December 2006, and begin implementation of their projects. Vyazemsky worked with Skagway counterparts to develop a feasibility study for the vegetable processing plant in their District and Arsinyev partners participated in the Iditarod events and learned about the permitting process in Wasilla in support of their tourism projects. Nevelsk and Anchorage partners continued to lay the groundwork for developing eco-tourism in the Nevelsk region through concrete programmatic steps and infrastructural development, and Luchegorsk worked with the Juneau Economic Development Center regarding business counseling and training services in Juneau in support of Luchegorsk's goal to develop an economic development center in their city.

The February-March exchange was very productive and gave the newly accepted Round II RFE communities a unique hands-on opportunity to learn about city management and economic development strategies from government colleagues in Alaska who have practical, on-the-ground knowledge.

In May-June 2007 the sixth Alaska-RFE exchange took place. Luchegorsk, Arseniev and Nevelsk hosted their partners from the Alaskan municipalities of Anchorage, Juneau and Wasilla. The second technical assistance exchange of Alaska to the Round II RFE cities included numerous joint meetings of local businesses and those in government who deal with economic development and business support. Following the demand identified in consultations with the RFE partners, business development and tourism experts from Juneau and Anchorage delivered a series of workshops on Business Planning, Successful Marketing Strategies and Tourism Development. Vyazemsky-Skagway partners identified no compelling reason for a face-to-face exchange and reached an agreement to continue most of their communications on-line.

Best Practices Symposium

Culmination of the program took place in August 2007 in Vladivostok with a Best Practices Symposium. The Symposium attracted the involvement of about 100 people representing the highest levels of municipal management of 14 RFE cities and regional governments in Khabarovsky kray, Primorsky kray and Sakhalinskaya Oblast, economic development experts, government officials from Alaska, USAID/Russia, and the U.S. Consulate General in Vladivostok, and other USAID contractors. Each partnership project, individually tailored to meet the specific needs and expectations of the local community, was showcased, sharing methods, tools and results with other RFE communities.

The symposium included presentations of case studies by the partners, work sessions to further the knowledge transfer of concepts and practices to interested communities, and presentations by several RFE-based USAID technical assistance provides which may provide avenues for continued support and involvement for the RFE cities. In addition, the Moscow-based





Institute of Urban Economics led an in-depth training on strategic planning at the municipal level.

Activities and Accomplishments

Bolshoy Kamen-Kenai: Establishment of a Business Incubator in Bolshoy Kamen

Bolshoy Kamen and Kenai became partners in Round I of the CityLinks Program. The City of Bolshoy Kamen in Primorski Krai is one of 42 'closed cities' left in Russia today. The closed-city status brings with it a number of rules and regulations governing how the city may function, allocate land, receive outside investment, and how it is financed. Closed status severely limits what the local



government can do to provide for and stimulate economic diversification. The City has made a lot of progress in implementing the new Russian Law 131 On Local Self-Governance and is striving to be self-sustainable to prepare for the time when it will no longer have closed city status and central government subsidies. In light of the inevitable opening up of the city and disappearance of government subsidies, Bolshoy Kamen municipality needed to identify the most effective ways to decrease its dependence on one industry-shipbuilding- and pushed itself to promote and grow small businesses to ensure progressive development of

the city in a market-driven economy. Resulting from a series of interactive planning sessions with Alaskan partners from the Kenai Peninsula Borough's Economic Development District, the project that was id entified and supported by the Mayor and City Manager was a public-private partnership business incubator on the territory of the Technical Institute. Based on the knowledge and technical assistance acquired at ICMA training events, the partners identified several strategic initiatives aimed at:

- Establishing a business incubator designed to invest in and grow small businesses to locate in the community;
- Creating a clearinghouse to promote the products of small businesses into the local economy, and
- Creating consulting services for small businesses and entrepreneurs regarding business planning

With the assistance of ICMA and Kenai economic development staff, the partners from Bolshoy Kamen municipality and the Technical Institute determined economic benefits of the Business Incubator to Bolshoy Kamen and drafted a proposal to have the business incubator developed on a municipally

"The results from Bolshoy Kamen's involvement in the Russia Far East-Alaska City Links Partnership Program will contribute to the future achievement of tangible, positive changes for the economic development of the municipality."

Dee Gaddis, Project Manager, Kenai Peninsula Economic Development District

owned site. ICMA and the City of Kenai, Alaska provided guidance and assistance throughout the development of the incubator including training and technical advice on the site selection, establishment of regulations and guidelines, defining the role of the City, Institute, local business community, and determining what resources could be provided. Bolshoy Kamen municipality secured about \$15,500 in budget funding to have the new facility renovated and equipped. Partners from the Institute in Bolshoy Kamen sponsored two professors to be trained in Moscow and St. Petersburg in the areas of business incubators, investment policies, and marketing in order to have

them teach and consult at the new business incubator. The official opening is planned in late 2007. This incubator will leverage the already active business plan training at the Institute and is set up to provide assistance and training to potential new businesses in the areas of marketing, accounting, permitting, and management. It will allow businesses without access to credit to establish themselves at minimal cost, as the Institute and City will provide basic services and building space as well as training and support. Currently the Bolshoy Kamen economy continues to depend on one industry. Through the Russia Far East-Alaska Cityl into Partnership program Bolshoy Kamen municipality realized a compelling need to diversify its economy, promote small business development, and encourage new forms of funding for business support projects.

The new incubator has the potential to grow outside of the temporary housing at the Institute and the goal is that it will increase the number of self-sustaining businesses in Bolshoy Kamen leading to jobs and tax revenue for the City and a lesser dependence on Central government subsidies and factory work.

Bikin-Juneau: Investment Attraction and Developing a Business Plan for a Brick Factory in Bikin

The city of Bikin in Khabarovsky kray was partnered with Juneau in the first round. The primary economic development goal in the Bikin area has been to re-open a brick manufacturing plant. The one that ceased operations in the early 90's was successful because the area has several large deposits of high quality clay, a key ingredient in bricks. For some time, municipal officials felt that a brick factory would be successful and could contribute

"This has been an exciting, educational, and dynamic relationship for everyone involved. As a result of this partnering experience, mutual understanding is growing both in Alaska and the Russian Far East. Such interaction is necessary to promote world peace and economic development."

Kevin Ritchie, former Director, Alaska Municipal League

significantly to local economic diversification. Bikin, however, required assistance to build its staff capacity to create a business plan to attract investors to construct and operate a brick factory. In Round I, Bikin was partnered with the Juneau Economic Development Council (JEDC) and Juneau municipality. Bikin was visited by former Deputy City Manager, a local business leader, and two staff members of JEDC. JEDC experts provided training and mentoring in the preparation and use of the business plan and marketing strategy and assisted in designing Bikin's package of development incentives to help attract investments in a start-up company. With JEDC assistance the municipal economic development department of Bikin completed the brick-factory business plan and started to design promotional materials and market their business to potential investors. By the end of the program, municipal officials had met with several potential investors and entrepreneurs including owners of another privately owned brick plant. Additionally, the economic development skills acquired during the process will serve the community in the future.

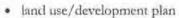
Now with the solid business-plan in hand, the Bikin economic development specialists continue to look for new market opportunities to involve small businesses in the processing of agricultural and non-timber forest products, construction and other producing/manufacturing industries.

Dolinsk-Anchorage: Developing a Design Concept for the Business Park in Dolinsk

The Dolinsk-Anchorage partnership was inaugurated in March 2006. Based on the initial discussions in the RFE and a subsequent exchange in Alaska in July 2006, the project's action plan was finalized with the technical assistance from ICMA and the Institute of Urban Economics (IUE) from

Moscow. To increase private investment and sustain local businesses, Dolinsk officials decided that the creation of an industrial park/economic development area would help increase the demand for Dolinsk property and attract new developers and investors to the city. It was agreed that Anchorage would assist Dolinsk to advance the action steps necessary to develop a business park and a marketing plan to attract investors to the park, including investigating approaches and designing a business park concept, identifying probable private investors, and determining the demand for the

city land, infrastructure needs, and public funding sources. Alaskan partners, ICMA experts and the Institute of Urban Liconomics successfully complemented Dolinsk efforts, helped formalize a business park concept and provided support on physical site plan recommendations, including:



- · types of users
- · private development requirements
- · incentives for locating in the park
- · potential public improvements



In late 2006 Dolinsk enacted a new resolution regulating municipal land sales and lease rights/procedures on the territory of the municipal district and as a result began to sell municipal land. The Institute of Urban Economics assisted in the development of a business questionnaire and the Dolinsk administration conducted a business survey to assess the most attractive types of development to possibly be suggested at the park. A socio-economic analysis of the city development program was conducted using questionnaires completed by small businesses to specifically assess how a business park would fit in the city's overall development scheme. The future business-park site was identified and performance indicators were developed to evaluate

"On behalf of Anchorage Mayor Mark Begich, we would like to thank the City of Dolinsk for our warm and fruitful association in developing business projects. We are grateful not only for your hospitality and hard work, but also for helping the City of Anchorage open itself to new ideas as well."

Kevin Harun, Renewable Resources Manager, Municipality of Anchorage successful implementation of the business-park project. In the near future Dolinsk municipality will work to complete legal registration of the park, identify tenants, and organize a public relations campaign to promote the advantages of doing business in Dolinsk. According to Anchorage partners, some of the major challenges to be faced by Dolinsk municipality in the future are to facilitate integration of a business-park concept

into the Dolinsk Development Plan, and develop measures to streamline permitting processes, and the need for utility analysis and implementation of a marketing/outreach plan. The need remains for additional support on physical site plan recommendations. In the course of the project Anchorage and Dolinsk obtained and studied several classic planning examples from the U.S. as well as successful Russian experiences on business-parks, but Dolinsk partners would clearly benefit from more time spent on urban and commercial site planning.

Ussuriisk- Wasilla: Development of the Small and Medium Business Support System; Development of the Tourism Marketing Plan for Ussuriisk

In March 2006 the cities of Ussuriisk in Primorsky region of the Russia Far East and Wasilla in Alaska were included in Round I of the *CityLinks* project and formed their technical partnership. Early in the program the partners finalized the action plans that primarily consisted of two major projects. First, Ussuriisk intended to enhance the relationship between the municipality and small and medium enterprises (SME). This project would include creation of a new, comprehensive

Business Advisory Council, developing areas of cooperation and interaction between local businesses and the City, identifying impediments to SME development, and enhancing SME input in economic development activities in Ussuriisk. The second major project was to develop an improved tourism industry as a component of the local Ussuriisk economy. The activities of the tourism project would include establishing an inventory of tourism related businesses, developing a tourist business directory, creating and enhancing a tourism web site and other marketing related materials. Based on experience shared by Wasilla and technical support by ICMA and TUE experts Ussuriisk completed the creation of a Business Advisory Council in the city and introduced a one-window approach to streamline issuing land use permits and building permits for start-ups and expanding businesses. By the recommendation of the mayor of the city of Wasilla, the museum of

the city and borough of Ussuriisk have provided a world map for the visitors to mark their home locations. This allows the staff to track and verify where visitors are coming from and encourages better information exchange due to the interactive process for the visitors. An inventory of existing tourism related business was conducted, the city website was updated with foreign language tools and the reference source was expanded.



Working with their counterparts in the RFE, Wasilla emphasized that quality government facilities and infrastructure and quality government services is extremely important to a successful economic development program. Ussuriisk partners learned that providing a consistent, supportive business-friendly philosophy and environment within the entire government organization was a crucial aspect of economic development. Partners from Ussuriisk municipality believe that participation in the CityLinks program was very beneficial for the assessment of the economic potential for the city of Ussuriisk and consider results achieved in the program as a good start for future work in the chosen directions.

Arsenyev-Wasilla: Tourism Development in Arseniev District

The city of Wasilla was asked to participate in Round II with the city of Arsenyev, again in the Primorsky Krai. Staff from Arsenyev expressed an interest in developing tourism opportunities within their community and creating a "one-stop permitting office" for all tourism-related permits. Ideas exchanged centered on the collection of a "bed fee" that could be paid by visitors and collected by all hotels in the area. These funds could be used to create marketing materials to distribute within the Krai to promote tourism activities around the city. Also discussed was a tourism survey to capture data in order to provide better services to tourists.

Over the life of the program, Wasilla shared the Matanuska-Susitna (Mat-Su) Borough CVB experience and assisted Arsenyev with developing a scheme for establishing an accommodation fee in the hotels to raise additional revenue dedicated to tourism projects, and with the establishment of a pilot program for a one-stop permitting office for tourism businesses would enable entrepreneurs to more efficiently open their businesses and offer their services in the tourism sector. An active tourism advisory board, made up of representatives of hotels, restaurants/caterers, tourism agencies, and other businesses, had been working with the administration to support the tourism industry but was looking for ways to help fund additional programs. The implementation of a 'bed tax' on the part of the tourism board would bring revenue to their budget to implement general tourism projects such as the production of marketing materials. The City, unable to collect this tax themselves, would work together with the advisory board to implement the fee scheme and use the money for tourism-related projects. If successful the one-stop permitting concept could then be replicated in other sectors in the city administration for business support and development.

Overall the plans agreed upon were carried out. The administration of Arsenyev changed during the program timeframe and the new administration decided to eliminate the department which oversees tourism activity. They did however pass a resolution allowing proposals from organizations/entities to form a tourism bureau like the Mat-Su CVB, which still was a significant step toward tourism development. Hope remains that Arseniev governmental counterparts will continue to learn new ways to work with the business community and look for ways to refine and improve their business development processes.

Vyazemsky-Skagway: Business Plan Development for a Vegetable-processing Plant and Arranging a Brand-marketing Tourism Campaign in Vyazemsky

Vyazemsky District from the Russia Far East and Skagway, Alaska joined the CityLinks program in Round II in December 2006. During the Soviet regime the Vyazemsky Municipal District was once home to a very successful vegetable processing plant. The operation is no longer in existence, however the demand throughout the region for processed vegetable products is still high, and officials in the district believe they have the necessary number of producers to make such an operation successful once again. There appears to be a broad-based stakeholder desire to resurrect

the processing plant as a means to increasing agricultural production in the district's under-utilized fields. While the District has had some experience in putting together a plan of action for the development of a locally-grown business, they still lack the necessary business acumen and technical know-how to structure a business plan for a public-private project for which they will recruit interested developers and investors.

"Success can be measured in many different ways and I feel strongly that Vyazemsky and Skagway succeeded in all aspects of our partnership. The dedicated staff at the Raion expanded the boundaries of their knowledge which gave them the skills to improve the quality of life for their citizens."

Michael Catsi, Executive Director, Skagway Development Corporation

In discussions with Alaska partners from the Skagway Development Corporation, Vyazemsky officials asked for assistance in developing a business plan that can be presented to their regional officials and then tendered publicly to locate and select a developer and other interested investors. On the tourism side, Vyazemsky district is also home to many amenities including a natural resource base of rich farmland, hot springs, lotus lakes, abundant timber lands, the Ussuri River, the natural and "ecologically clean" supply of ferns and various foods, cultural amenities and close proximity to a tourist base from Khabarovsk and China. As a result, the district believes it has the potential to capture a tourism and leisure audience that currently does not exist. The district does not have a tourism marketing function in the administration and requested assistance through the CityLinks Program in developing a professional brand marketing campaign that might include locally produced farm goods, the existing dairy operation which markets its products in Khabarovsk, and nearby hot springs. This campaign, when launched, would effectively market Vyazemsky to tourists and bring visitors and revenue to the city. Skagway agreed to introduce the concept of brand marketing to Vyazemsky, as well as a marketing plan to give the city a direction in which to move in the area of tourism and agricultural production, and enhance the amenities already existing in the district. Over the life of the project Skagway representatives shared the experience of local businesses in Alaska involved in processing and tourism. Skagway helped develop a questionnaire used by Vyazemsky to do a business survey and analyze available market niches to attract new companies. A potential site for the processing plant was identified and the new business idea was presented to citizens and the business community through mass media and roundtables.

In the future the most difficult task for the district authorities, as they see it, will be to attract investors for the plant and tourism industry development. Skagway believes that the need remains for more training in the development of effective business plans.

Nevelsk- Anchorage: Creation and Implementation of a Tourist Passport for the City of Nevelsk

Nevels and Anchorage became partners in Round II of the CuyLinks program. In the Nevelsk-Anchorage partnership the focus was on tourism enhancement. Lack of tourism in the Nevelsk district despite the overwhelming presence of natural, material, and recreational resources was identified as a main challenge. The present Mayor and his team have developed a strong innovative relationship with the business community and share a common pride in the history and natural features of Nevelsk as well as a desire to improve the community and make Nevelsk a well known tourist destination. The leaders of the District believe that the historic and unique natural features will allow it to develop a tourism industry both within the city limits and at locales that are within the district. However, the municipality lacks modern infrastructure to be able to attract new business in the tourism industry – specifically hotels. Several entrepreneurs have expressed interest in participating in the tourism industry and some are presently starting business or constructing facilities to be prepared for the anticipated influx of tourists. But they lack training, resources, and information to assist them to chart a proper course to move the tourism industry forward. The Mayor's team plans to initiate a tourism program that will be successful over the next three years focused on:

- Development of a conceptual tourism marketing plan that has a focus on the city of Nevelsk as well as the eco-tourism opportunities of outlying areas within the district;
- Identification of resource opportunities for hotels to assist entrepreneurs in the design, operation, and management of hotels, including smaller overnight accommodations for divers, hikers, and those who appreciate wilderness and natural beauty, and
- Providing training for entrepreneurs who will participate in the tourism industry ideas on marketing, training personnel, customer service, tracking of clientele, development of themes, and how to operate tourism-based business.

At the end of three years, the plan will be reviewed and assessed and a long-term sustainable program developed. Anchorage agreed to assist Nevelsk with the creation of a business plan that is tourist-based to guide the municipality and entrepreneur community in a common direction.

In order to identify and implement project goals and provide administrative and technical support, the Nevelsk municipality established a Tourism Working Group (TWG) to bring together government, tourism-concerned businesses, and active citizens' groups. In February-March 2007 IUE experts conducted a survey to study public opinion and evaluate the territory's attractiveness and potential for tourism development. About 150 people responded. The survey results demonstrated general support in the community of the tourism development strategy as means to

facilitate business and infrastructure development, increase budget revenues, create new jobs and attract investor attention to Nevelsk municipality and raion. The survey was complemented by a seminar "On the City Marketing" organized by IUE in Nevelsk with the purpose to identify pilot projects to serve as basis for the city's future marketing program.

"Joint efforts of Anchorage and Nevelsk cities in partnership project implementation will be realized. It will be a serious step on the way to successful economic development of Nevelsk municipal region and improvement of the citizens' living standards."

Viktor Pak, Mayor, Municipality of Nevelsk

The Nevelsk city government and local business community were active participants throughout the life of the project, demonstrating strong commitment and excellent coordination. Anchorage

partners were impressed with the quality of the local entrepreneurs who have recently invested in restaurants, markets, a micro brewery, and began reconstruction of the city seashore line. Nevelsk city officials as well as business and community leaders unanimously agree that their partnership with Anchorage helped stimulate thought and provided additional incentives to speed up tourism development in the region. Despite the project's short term, results from Nevelsk's



involvement under the CityLinks program are quite impressive. For example, several private tourist lodging options were established. The City leased its first section of beach for a private tourism venture and started the process of constructing a beach promenade in the heart of the city which would incorporate a café and viewing platform, complete with outdoor telescopes similar to those found in Alaska. A local business reached agreement with a travel agency in Yuzhno-Sakhalinsk to sell air tickets in Nevelsk – so for the first time Nevelsk residents or

visitors could purchase tickets or make changes without going to Yuzhno. The City started an ambitious program to remove dilapidated buildings and paint existing buildings in bright colors. A Nevelsk tourism brochure was produced and printed for distribution and the City sponsored a contest with Nevelsk's children to design a prototype for souvenirs to be sold in Nevelsk businesses. Flowers were being planted all over town and the governor approved plans for port improvements as well as millions of dollars to pave the road from Yuzhno to Nevelsk.



The Nevelsk Mayor advocates tourism as the key to economic development recovery. Local entrepreneurs are already on the road to creating a tourism based economy, and they recognize the need to have a coordinated effort with an eye toward international standards and marketing to the island, mainland Russia, and international tourists. The Anchorage partners helped bring all relevant tourism trade factors

into a plan and initiate a program, bringing business people into contact with

Nevelsk who have had similar experience developing tourism businesses in Alaska.

Because of the positive links developed between Anchorage and Nevelsk, the two cities have agreed to form a standing working group comprised of all CityLinks participants with the purpose to continue to maintain communication and provide resources to share between the two cities. The working group will hold a teleconference every other month starting in August 2007.



Luchegorsk-Juneau: Creation of the Small and Medium Business Support Center in Luchegorsk

The city of Luchegorsk in Primorsky kray and Juneau in Alaska became partners in the second round of the program. Luchegorsk, population 22,300, has a viable business community but is challenged with a lack of a support structure on the part the municipality to the business community. Juneau assisted Luchegorsk in setting up an operational economic development structure to facilitate good relations with the business community with the overall goals of making the City an attractive option for investment and job creation. On the tourism side, Luchegorsk boasts a number of potential tourism activities and facilities but lacks an implementation plan to market the city. Over the life of the program, Juneau assisted Luchegorsk with assessing tourism

potential and planning for sustainable tourism development by developing brochures and a "model tour" to help raise the city's visibility and showcase/promote already available resources and products.

The concept for the development of a local organization to support small and medium size enterprises was modeled on the JEDC program. Adapted to Luchegorsk, it might take the form of a Consulting and Information Center, where new business operators or current entrepreneurs could get assistance with marketing, accounting, management, legal services, development of business plans, and could receive any other kind of assistance related to the creation and operation of a business. Over the life of the program partners from Juneau provided Luchegorsk with templates of JEDC by-laws and their organizational chart and gave Luchegorsk exchange visitors in Alaska an opportunity to study the examples of successful infrastructure project implementation. As a result the newly formed Business Development League in Luchegorsk and municipal Economic Development Department municipal officials decided to combine efforts to sustain the future SME Support Center and will continue looking for corporate funding to set up a loan fund to improve access to finance for entrepreneurs and small businesses in Pozharsky raion.

"People in Luchegorsk are well educated and highly motivated. Their efforts to expand their local economy will be successful if they continue to work together openly to identify and overcome barriers, take advantage of opportunities, and support each other's efforts."

Kevin Ritchie, former Director, Alaska Municipal League Participation in the CityLinks program and the partnership with Juneau contributed to the professional development of economic development staff in Pozharsky/Luchegorsk municipality. With focused and professional support from Juneau partners the city realized the importance of promoting the development of the small and medium size businesses in

the region and decided to hire a specialist to coordinate public-private interactions to facilitate communications between the municipality and the local business community. By the end of the program the structure and functions of the SME Support Center were established and it is planned to have the center begin its activities in the second half of 2008. Based on the model provided by the Juneau Small Business Development Center, Luchegorsk municipality has plans to continue to deliver business training for entrepreneurs in cooperation with the local Technical College and American Russian center in Vladivostok, which would include courses on business-planning and successful market strategies.

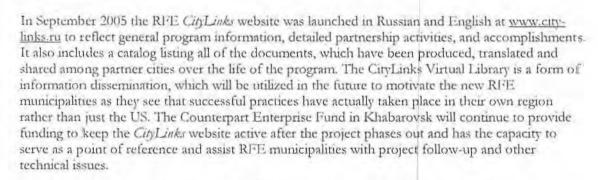
There was not enough time in the program for the partnership to fully address the tourism potential and structure a marketing campaign/model tour. That in mind, Juneau and Luchegorsk agreed to continue informational exchanges between the two cities to also include schools, possible formalization of sister cities relations, and foundation of a Rotary Club branch in Luchegorsk.

Sharing Experience and Resources, Establishment of Regional Replication

The successful pilot municipalities from the first round of the program implementation were encouraged to mentor new municipalities in year two. Mentorship and sharing resources played an important role as the new municipalities prepared action plans and carried them out and will help to ensure sustainability as skills are transferred from the US partners to their counterparts. Examples of successful mentorship and sharing are as follows:

- Based on numerous requests a template business questionnaire developed by the IUE experts for Dolinsk was shared with other CityLinks cities working to promote business development, namely Bolshoy Kamen, Nevelsk, Arseniev, Ussuriisk;
- A template survey to assess tourism potential was further shared with the Round II cities interested in stimulating tourism development (Arseniev, Nevelsk);
- Based on Nevelsk's request, ICMA/RFE staff provided Russian translations of the sample charters for economic development organizations operating in Alaska, including JEDC by-laws, Alaska Development Corporation by-laws, as well as IUE materials developed and used by other CityLinks partners (Bikin, Ussunisk);
- A Tourist Passport template designed in the city of Nevelsk was shared with Ussuriisk and Arseniev. Ussuriisk followed the model to develop a municipal tourist passport and had it included in the recently adopted comprehensive tourism development program;
- Partners from Luchegorsk requested assistance in learning more about the organizational structure, functions, and by-laws of the newly established Business Incubator in Bolshoy Kamen. ICMA staff coordinated a meeting in Bolshoy Kamen on the subject for the Luchegorsk Business Development League and provided translated templates (originally offered by Kenai partners) in print and on CDs;
- Dolinsk partners believe they have encountered a company which might potentially be interested in investing in the construction of a Bikin brick factory. ICMA /RFE staff provided contact information in Bikin and will follow-up on the progress;
- At the time of the June 2007 exchange in Arseniev the city briefly noted that they would be interested to learn more about Bikin's brick factory plan.

 Additional follow-up is required to see if this interest might develop into a more substantial dialogue, and
- The Counterpart Enterprise Fund (CEF) had meetings with the CityLinks partners in Ussuriisk, who were interested in discussing the possibility of expanding CEF's microfinance operations in Ussuriisk.



Linkages with other UAID-supported Activities and Sustainability

The program made every effort to connect to other USAID supported activities that have addressed skills and capacity-building within RFE communities and will be used as complementary resources



by the partners to help sustain their partnership results once the CityLinks support ends. The program made full use of already-existing resources in the RFE in support of local government and community development, promotion of economic growth, and engagement of citizens in community activities. Technical assistance programs implemented by USAID-supported Russian think tanks, such as the Institute for Urban Economics (IUE), the Far East Center for Local Governance and Social Innovations as well as Community Connections, and Open World Leadership Program will contribute to the CityLinks policy effort through sharing and roll-out of best practices and lessons learned at the local level.

The ICMA/RFE office worked closely with these NGOs to ensure that there would be local programmatic support available for the participating RFE communities and new municipalities after the program ends. These NGOs/think tanks have been assisted with documenting the good practices that have been developed during implementation of the program and will become the depository for a reference library for any community that is interested in replicating the models. While engaged in program implementation the local NGOs assisted in building additional technical skills and increasing professionalism in RFE local governments and will continue to provide support and technical assistance in the long run.

The ICMA/RFE office worked to encourage the CityLinks partner cities to apply for a grant under the ongoing USAID-funded grant competition announced by the Fund For Sustainable Development, a USAID legacy program operated from Moscow. The concept paper developed by the CityLinks partner city of Vyazemsky was recommended for funding. The city received approximately \$70,000 in grant money to implement 5 projects in energy efficiency, improving living conditions for the elderly, disease prevention, and healthy lifestyles for the youth. Economic development specialists in Vyazemsky municipality believe that the new grant funding will help complement the municipal LED efforts outlined under the CityLinks partnership agenda and in general improve the quality of life in the community.

Conclusion and the Way Forward

Project implementation continued for the life of the program. By the end of the second year, eight core partnerships had been established and RFE cities had made significant progress on their projects and identified the next steps needed to sustain partnerships results, which include:

- · Forming strategic public-private partnerships
- Disseminating best practices to new municipalities
- Creating inter-municipal and regional clusters for mutual support

Each partnership resulted in replicable models for specific issues and challenges that have been identified by the Russia Far East participants and these models were showcased at the best practices symposium. The know-how was transferred to other cities through mentorship, roundtable discussions and other means of information dissemination. The program helped increase interregional cooperation and knowledge transfer at the municipal level and assisted local governments in developing transparent mechanisms to foster broad community involvement, and mobilize private sector resources that will further their development and partnership goals and support new initiatives.

More than 150 municipal officials in the RFE were trained in basic principles of effective
municipal economic development, community action planning, business development and
creative city marketing. The training included a self assessment of each city on the LED
spectrum, the role of the economic developer, business retention and expansion, industrial
development, tourism, creating an economic development department, and developing a
strategic plan.

- 20 high-level government officials from the RFE municipalities were exposed to the U.S. best practices in public management and community development.
- 20 U.S.-based municipal practitioners and consultants provided valuable technical assistance to the RFE partners in the field.
- A Virtual Reference Library of more than 100 documents (charters, questionnaires, concept papers, business-plans, etc) was created to be shared with any community that might be interested in replicating the successful models.

Participation in the program increased professionalism in RFI. local governments and helped establish an informal network of municipal practitioners who share a common commitment to work collaboratively towards promoting local economic development. The

"The value of such a program goes well beyond its intended purpose. The ICMA CityLinks program allows us to share knowledge with each other over a short nine month period with solid results."

Michael Catsi, Executive Director Skagway Development Corporation

RFE cities began to see each other as a resource and partner and intend to maintain their relationships over a long-term standing basis.

The Alaskan partners were astounded by how far some RFE cities had advanced with their projects in such a short amount of time (nine months only for Round II cities). In the future the CityLinks partner cities in the RFE will continue to seek linkages to existing USAID-supported development programs and assess the benefits that may be derived by their communities from the training and capacity development offered by the Institute of Urban Economics, American Russian Centers, Far East Center for Local Governance, and others.

Appendix A Partnership Action Plans

ACTION PLAN Arsinyev Municipality Developed During December 4-8, 2006 Diagnostic Week

Partners: RFE Municipality of Arsinyev and City of Wasilla, Alaska

1. INTRODUCTION

Project 1: Development and Implementation of Accommodation Fee scheme for tourism in Arsinyev

The City of Arsinyev has an ambitious tourism plan but not enough funding from the budget or Krai to implement all of the projects therein. They also have a tourism advisory board made up of representatives of hotels, restaurants/caterers, tourism agencies, and other businesses. The advisory board has already agreed to register and open a bank account to use as a general fund for themselves. The implementation of a 'bed tax' on the part of the tourism board would bring revenue to their budget to implement general tourism projects such as the production of marketing materials. The City would like to see this happen but does not have the authority to collect such fees. They will work together with the advisory board to implement the fee scheme and use the money for tourism-related projects.

Project 2: Development of a One-stop shop pilot program for tourism in Arsinyev

Arsinyev is working hard to diversify its economic base and tourism is one of the main components of the strategic plan. Also, they would like to establish a one-stop shop for permitting and opening businesses but have received negative reaction to this idea in the business community. Businesses feel that although the idea is a good one, implementation of it would take a lot of trust that the businesses simply do not have at this point in the administration. Therefore, to enhance tourism and start building the trust of small businesses with handling paperwork and providing customer service, the partnership would like to establish a one-stop shop for tourism that could serve as a pilot program for a larger city-wide one-stop shop. This will be done in cooperation with the tourism advisory board and also perhaps the Union of Entrepreneurs, a very active group in the city which has already expressed an interest in the one-stop concept. Arsinyev has attracted a number of businesses looking to open summer camps and other tourism-related activities and providing them with efficient permitting and service will go a long way to make these projects a reality.

Project 3: Development and implementation of a customer survey for tourism (TBD: to be done by IUE)

Although the City has a tourism plan, they would like to poll the tourists to make sure their priorities are correct. IUE has a tourism customer survey that it is using in Ussuriisk that might be used in Arsinyev with a few changes made. The City will have to decide how it will track results and how it will make changes based on results.

II. PROJECT IMPLEMENTATION

1. Technical Project

Arsinyev has a lot to offer as the recreation center of Primorski Krai. It boasts a potential ski resort, Lotus festival, shopping, paragliding, museum, circus school, mild weather and numerous hotels and restaurants to accommodate tourists. Most tourists now come from Primorski Krai and China for year-round relaxation and recreation. Bolstering the tourism sector is one for the directives outlines in the strategic plan of the City.

The technical project includes the three projects listed above in order to bolster the tourism sector in accordance with the City's strategic plan. The establishment of a one-stop shop for tourism as well as an accommodation fee structure would allow for more funding for tourism activities and would strengthen the trust of the business community in the municipality and attract businesses that want efficient customer service. Lastly, the implementation of a customer (tourism) survey will give the City much needed information about their tourists so that they may tailor their marketing and activities to the right audience.

2. Problem/Challenge Statement

The City of Arsiniev would like to encourage additional tourism development and is already strengthening their tourism sector by attending trade fairs, producing marketing materials, and gathering a tourism advisory board together for joint projects. Their budget does not accommodate all of the projects outlined in their tourism plan and they are looking for ways to increase revenue for tourism projects. Also, the business environment is strained because businesses must currently apply to 16 different departments for permits, a process which takes up to several years to complete. Although the business community does not fully trust the municipality with their documents (because they have watched the one-stop process in Vladivostok fail) and is generally not in favor of a one-stop shop, a pilot program that can gain the trust of businesses and be replicated in other sectors would be seen as a favorable development. Many businesses are interested in opening summer camps or festivals and to have a successful 'one-window' for tourism would start the one-shop concept in the city.

3. Goals

Short Term -

- 1. Verify support of accommodation scheme in tourism advisory council
- 2. Agree with IUE on tasks to be implemented for customer survey
- Define characteristics of tourism one-stop shop: location, finances, staffing, responsibilities, outreach, etc.

Mid Term -

- 1. Draft implementation scheme for accommodation fee
- 2. Finalize customer survey
- 3. Finalize one-stop shop plan

Long Term -

- 1. Implement accommodation fee
- 2. Open tourism one-stop shop
- 3. Implement customer survey, tally results, and make changes based on results

4. Project Implementation Activities

Action Steps	Time Frame	Responsible Party
Get buy-in from tourism board on accommodation fee idea	December -January	Arsiniev staff
Research legislation re: accommodation fee	December -January	Arsiniev staff
Collect sample tourism plans, accommodation fee structure/information, one- stop shop information and send to Arsinyev	December-January	Wasilla staff
Define draft tourism one-stop characteristics (responsibilities, timeline, location, finances, outreach, etc)- take to Wasilla	February	Arsiniev staff
Work with IUE to draft and finalize customer survey on tourism	December-February	Arsiniev staff, IUE
Finalize one-stop shop plan	IN WASILLA- March	Arsinyev/Wasilla
Draft accommodation fee plan	IN WASILLA- March	Arsinyev/Wasilla
Review Mat-Su customer survey and results database	IN WASILLA- March	Arsinyev/Wasilla
Approval of accommodation fee and one-stop shop plan from tourism board and municipality, make any necessary amendments	March-April	Arsiniev staff
Implement customer survey	March-April	Arsiniev staff, tourism board
Meet with tourism board to finalize implementation of both projects	IN ARSINYEV- June	Arsinyev/Wasilla
Review any customer survey results, discuss new needs based on results	IN ARSINYEV- June	Arsinyev/Wasilla, tourism board
Implement pilot programs	July	Arsinyev staff
Best Practices	August	Arsînyev/Wasilla

- 5. Technical Assistance to be provided by US City Partners
- Strategic plan (tourism) examples, marketing material examples, accommodation fee information, one-stop shop information
- b. Consult with tourism advisory board and Union of Entrepreneurs
- Show tourism in Wasilla: Mat-Su convention and visitors bureau, customer data collection and use

III. RESULTS

- 1. Expected Results/Products
 - a. Business encouraged in the sector
 - b. Revenue generated for tourism projects
 - c. Customer data used to focus tourism sector
- 2. Performance Indicators

Next Steps (before trip to Wasilla in late Feb.)

Wasilla

- Provide sample materials (plan template and marketing materials)
- · Provide sample survey of market/customer survey to Arsinyev
- · Provide Arsiniev with list of attractions in Wasilla
- · CVB information (charter), bed-tax information
- · Draft agenda for next visit

Arsiniev

- Collect marketing materials to take to Wasilla
- Provide copy of plan to Wasilla (to ICMA for translation)
- Meet with tourism council to discuss who and how to form bed-tax consortium
- · Research legislation regarding tax

ICMA

- · Translation of plan
- · Contact IUE to find out how they can help with program

Travel participants: Irina and Svetlana

Dates: Feb. 28-March 6, 2006